

COMPANY NO: 04466326

CEDAR ROCK CAPITAL LIMITED

ANNUAL REPORT

◆ Year ended 31 October 2004 ◆



CEDAR ROCK CAPITAL LIMITED

CONTENTS

	Page
Company Information	1
Report of the Directors	2-3
Independent Auditor's Report to the Shareholders of Cedar Rock Capital Limited	4-5
Consolidated Profit and Loss Account	6
Consolidated and Company Balance Sheet	7
Consolidated Cash Flow Statement	8
Notes to the Financial Statements	9-17

CEDAR ROCK CAPITAL LIMITED

COMPANY INFORMATION

Directors	Joy-Isabelle Besse Andrew Brown David Miller
Secretary	David Miller
Registered office	The Courthouse Erfstadt Court Denmark Street Wokingham Berkshire RG40 2YF
Registered number	04466326
Auditor	RSM Robson Rhodes LLP Chartered Accountants and Registered Auditor 186 City Road London EC1V 2NU
Bankers	Coutts & Co. 188 Fleet Street London EC4A 2HT

REPORT OF THE DIRECTORS

The directors present their report and audited consolidated financial statements for the year ended 31 October 2004. Comparatives given are in respect of the period from incorporation, 20 June 2002, to 31 October 2003.

Principal activities

The principal activity of the group is the provision of investment management and advisory services.

Results and dividends

The group profit for the year after tax and before dividends amounted to £880,188 (2003: £216,950). The company made a profit after tax and before dividend of £843,173 (2003: £202,155). During the year an interim dividend of £500,000 (2003: £nil) was paid. The directors do not propose to pay a final dividend (2003: £nil).

Business review and future developments

The company currently provides investment management advice for eight segregated accounts and Cedar Rock Capital Fund Plc, an Irish domiciled UCITS listed on the Irish Stock Exchange. The company is also investment manager of Cedar Rock Capital Partners LLC, a Delaware limited liability company incorporated in the United States which is managed by Cedar Rock Capital LLC (the company's wholly-owned US subsidiary). The group had approximately \$1,263m in assets under management at 31 October 2004 (2003: \$562m).

The directors expect continued growth in assets under management and profitability during the forthcoming year.

During the year the company purchased 23,437 of its own "B" ordinary shares of £1 each, representing 8.33% of the "B" ordinary share capital at the time of purchase, for an aggregate consideration of £117,185. The shares were the subject of a mandatory transfer notice served on an employee who was leaving the company. Mr Andrew Brown did not exercise his right as sole holder of the "A" ordinary shares of the company to acquire any or all of the 23,437 "B" ordinary shares purchased and therefore the company cancelled the shares.

Directors and their interests

The directors and secretary of the company at 31 October 2004 are set out on page 1.

At 31 October 2004 Mr Andrew Brown owned 500,000 "A" ordinary shares of £1 each.

During the year, rights to subscribe for shares in the company have not been granted to, or exercised by, any director or member of his immediate family.

Directors' responsibilities

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors:

REPORT OF THE DIRECTORS
(Continued)

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of RSM Robson Rhodes LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

The report of the directors was approved by the Board on **31** December 2004 and signed on its behalf by:



David Miller
Secretary

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CEDAR ROCK CAPITAL LIMITED**

We have audited the financial statements on pages 6 to 17.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CEDAR ROCK CAPITAL LIMITED
(Continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 October 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditor

London, England
31 December 2004

CEDAR ROCK CAPITAL LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 October 2004

	Note	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
Turnover	2	4,726,334	1,627,414
Administrative expenses		<u>(3,529,896)</u>	<u>(1,330,588)</u>
Operating profit	4	1,196,438	296,826
Bank interest receivable		<u>49,381</u>	<u>5,241</u>
Profit on ordinary activities before taxation and dividends		1,245,819	302,067
Taxation	7	<u>(365,631)</u>	<u>(85,117)</u>
Profit on ordinary activities after taxation but before dividends		880,188	216,950
Dividends	8	<u>(500,000)</u>	<u>-</u>
Profit for the financial period – retained		<u>380,188</u>	<u>216,950</u>

All of the group's operations are continuing.

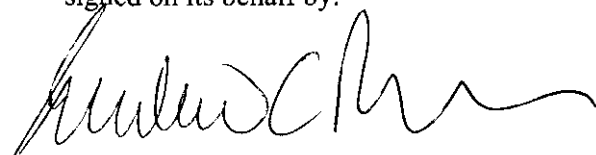
The group had no recognised gains or losses other than the profit for the financial period.

The notes on pages 9 to 17 form part of these financial statements.

CEDAR ROCK CAPITAL LIMITED**BALANCE SHEET
at 31 October 2004**

	Note	Group 31 October 2004 £	Company 31 October 2004 £	Group 31 October 2003 £	Company 31 October 2003 £
Fixed assets					
Tangible assets	9	40,605	36,500	29,910	26,736
Investments	10	-	643	-	643
		40,605	37,143	29,910	27,379
Current assets					
Debtors	11	852,051	846,438	383,346	382,373
Cash at bank and in hand		2,923,537	2,920,172	997,095	978,011
		3,775,588	3,766,610	1,380,441	1,360,384
Creditors: Amounts falling due within one year	12	(2,809,217)	(2,848,587)	(688,814)	(681,021)
Net current assets		966,371	918,023	691,627	679,363
Total assets less current liabilities		1,006,976	955,166	721,537	706,742
Provisions for liabilities and charges	13	(3,586)	(3,586)	(4,587)	(4,587)
Net assets		1,003,390	951,580	716,950	702,155
Capital and reserves					
Called up share capital	14	500,000	500,000	500,000	500,000
Capital redemption reserve	15	23,437	23,437	-	-
Profit and loss account	15	479,953	428,143	216,950	202,155
Equity shareholders' funds	16	1,003,390	951,580	716,950	702,155

The consolidated financial statements were approved by the Board on **31** December 2004 and signed on its behalf by:



Director

The notes on pages 9 to 17 form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 October 2004

	Note	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
Net cash inflow from operating activities	17	2,708,709	467,001
Returns on investment and servicing of finance			
Interest received		37,702	4,990
Taxation paid		(78,036)	(3,442)
Capital expenditure			
Purchase of tangible fixed assets		(33,160)	(42,933)
Management of liquid resources			
Money market deposit		(2,098,479)	(301,521)
Financing			
Issue of shares	14	-	500,000
Purchase and cancellation of "B" ordinary shares		(93,748)	-
		(93,748)	500,000
Dividends paid	8	(500,000)	-
(Decrease)/increase in cash	18	(57,012)	624,095
Reconciliation of net cash flow to movement in net funds:			
(Decrease)/increase in cash in the period (as above)		(57,012)	624,095
Cash outflow from increase in liquid resources		2,098,479	301,521
Change in net funds resulting from cash flows		2,041,467	925,616
Foreign exchange differences		(28,965)	(16,368)
Movement in net funds in the period		2,012,502	909,248
Net funds at 31 October 2003		909,248	-
Net funds at 31 October 2004	18	2,921,750	909,248

The notes on pages 9 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention. As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company has not been separately presented in the financial statements.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertaking at 31 October 2004. The accounts of the overseas subsidiary are translated into pounds sterling at the closing rate of exchange.

Liquid resources

Liquid resources in the cash flow statement represent term deposits not recoverable within 24 hours.

Turnover

Turnover comprises management fees that are recognised in the profit and loss account as they are earned by the company.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at 31 October 2004. Exchange differences are taken to the profit and loss account.

Depreciation

Depreciation is provided on a straight line basis to allocate the cost, less estimated residual value, of the tangible fixed assets over their estimated useful lives:-

Office Equipment	-	3 years
Furniture & Fixtures	-	3 years
Computer Equipment	-	3 years

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating profit.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the leases.

Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19.

2. TURNOVER

The turnover for the period is solely attributable to management fees arising from the group's investment management of eight managed accounts, an Irish domiciled UCITS and a Delaware limited liability company. In the opinion of the directors, the company has supplied markets that do not differ substantially from each other.

3. PRINCIPAL SUBSIDIARY

The company is the sole member in Cedar Rock Capital LLC, a Delaware limited liability company incorporated in the United States.

Cedar Rock Capital LLC is the company's principal wholly owned subsidiary included in the consolidation.

Cedar Rock Capital LLC manages Cedar Rock Capital Partners LLC, another Delaware limited liability company incorporated in the United States, from which the company receives an investment management fee for providing investment management advice.

For the year ended 31 October 2004, Cedar Rock Capital LLC made a profit after tax of equivalent £38,367 (2003: £15,395).

4. OPERATING PROFIT

	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
The operating profit is stated after charging:		
Auditors' remuneration – audit	8,000	7,500
– FSA authorisation	-	5,000
– other services	14,818	29,340
Operating lease rentals – property	62,568	74,236
Depreciation	22,465	13,023
Foreign exchange losses	<u>28,965</u>	<u>26,520</u>

5. DIRECTORS' REMUNERATION

	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
Directors' emoluments for the period were:		
Emoluments	<u>1,324,620</u>	<u>174,897</u>

The highest paid director received earnings of £1,324,620 (2003: £174,897).

6. STAFF COSTS (INCLUDING DIRECTORS)

	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
Wages and Salaries	2,311,201	532,329
Social Security Costs	<u>246,908</u>	<u>55,076</u>
	<u>2,558,109</u>	<u>587,405</u>
The average monthly number of employees and directors for the Group was as follows:		
Office and management	<u>7</u>	<u>5</u>

7. TAXATION

	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
UK corporation tax at 30%	365,684	76,739
Overseas taxation	3,831	3,791
Over provision in respect of prior year	<u>(2,883)</u>	<u>-</u>
Tax charge in respect of current period	366,632	80,530
Deferred tax	<u>(1,001)</u>	<u>4,587</u>
	<u>365,631</u>	<u>85,117</u>

The current taxation charge for the period is different from the standard rate of corporation tax in the UK (30%). The differences are explained below.

	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
Profit on ordinary activities before taxation	<u>1,245,819</u>	<u>302,067</u>
Theoretical tax at UK corporation tax rate of 30%	373,746	90,620
Effects of:		
- small companies' relief	-	(11,207)
- subsidiary profits taxed at different rate	(8,423)	(1,786)
- depreciation in excess of capital allowances	1,001	(4,587)
- other expenditure which is not tax deductible	3,191	7,490
- prior year adjustment	<u>(2,883)</u>	<u>-</u>
Actual current tax charge	<u>366,632</u>	<u>80,530</u>

8. DIVIDENDS

	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
"A" ordinary – interim paid (£0.65)	326,451	-
"B" ordinary – interim paid (£0.65)	173,549	-
	<u>500,000</u>	<u>-</u>

9. FIXED ASSETS

Group

	Furniture & Fixtures £	Office Equipment £	Computer Equipment £	Total £
Cost:				
At 1 November 2003	14,975	8,095	19,863	42,933
Additions	22,722	2,367	8,071	33,160
At 31 October 2004	<u>37,697</u>	<u>10,462</u>	<u>27,934</u>	<u>76,093</u>
Depreciation:				
At 1 November 2003	4,413	2,387	6,223	13,023
Charge for year	11,378	3,383	7,704	22,465
At 31 October 2004	<u>15,791</u>	<u>5,770</u>	<u>13,927</u>	<u>35,488</u>
Net Book Value:				
At 31 October 2003	10,562	5,708	13,640	29,910
At 31 October 2004	<u>21,906</u>	<u>4,692</u>	<u>14,007</u>	<u>40,605</u>

Company

	Furniture & Fixtures £	Office Equipment £	Computer Equipment £	Total £
Cost:				
At 1 November 2003	13,063	7,931	17,666	38,660
Additions	22,549	2,345	5,834	30,728
At 31 October 2004	<u>35,612</u>	<u>10,276</u>	<u>23,500</u>	<u>69,388</u>
Depreciation:				
At 1 November 2003	3,984	2,349	5,591	11,924
Charge for year	10,646	3,331	6,987	20,964
At 31 October 2004	<u>14,630</u>	<u>5,680</u>	<u>12,578</u>	<u>32,888</u>
Net Book Value:				
At 31 October 2003	9,079	5,582	12,075	26,736
At 31 October 2004	<u>20,982</u>	<u>4,596</u>	<u>10,922</u>	<u>36,500</u>

CEDAR ROCK CAPITAL LIMITED**10. INVESTMENTS**

	Group 31 October 2004 £	Company 31 October 2004 £	Group 31 October 2003 £	Company 31 October 2003 £
Shares in group undertaking (note 3)	-	643	-	643

11. DEBTORS

	Group 31 October 2004 £	Company 31 October 2004 £	Group 31 October 2003 £	Company 31 October 2003 £
Trade debtors	649,342	649,342	156,291	156,291
Other debtors	8,302	7,104	47,567	47,567
Prepayments and accrued income	155,256	150,841	140,337	139,364
Amounts falling due within one year	812,900	807,287	344,195	343,222
Amounts falling due after more than one year:				
Rent deposit	39,151	39,151	39,151	39,151
	852,051	846,438	383,346	382,373

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31 October 2004 £	Company 31 October 2004 £	Group 31 October 2003 £	Company 31 October 2003 £
Bank loans and overdrafts	1,787	1,787	87,847	87,847
Trade creditors	82,790	82,790	27,039	27,039
Amounts owed to group undertakings	-	344,267	-	49,957
Corporation tax payable	365,684	365,684	77,087	76,739
Other taxes and social security	236,587	231,989	53,160	41,104
Other creditors	8,142	8,142	67,692	67,691
Accruals and deferred income	2,114,227	1,813,928	375,989	330,644
	2,809,217	2,848,587	688,814	681,021

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 31 October 2004 £	Company 31 October 2004 £	Group 31 October 2003 £	Company 31 October 2003 £
Deferred tax provided:				
- Accelerated capital allowances	3,586	3,586	4,587	4,587

The movement in the provision is as follows:

At start of year	4,587	4,587	-	-
Charge to the profit and loss account	(1,001)	(1,001)	4,587	4,587
At end of year	3,586	3,586	4,587	4,587

Deferred tax has been provided at 30% because of uncertainty as to the average rate of tax that will apply when the underlying timing differences will reverse.

14. CALLED UP SHARE CAPITAL

Group and Company	31 October 2004 £	31 October 2003 £
Authorised -		
600,000 "A" ordinary shares of £1 each	600,000	600,000
400,000 "B" ordinary shares of £1 each	400,000	400,000
	<u>1,000,000</u>	<u>1,000,000</u>
Allotted -		
500,000 "A" ordinary shares of £1 each	500,000	500,000
270,811 "B" ordinary shares of £1 each	270,811	281,248
	<u>770,811</u>	<u>781,248</u>
Called up and fully paid -		
500,000 "A" ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

The "B" ordinary shares rank pari passu with the "A" ordinary shares for dividends but they do not carry any voting power.

In March 2004 the company made a call on the holder of 23,437 "B" ordinary shares to pay £1 per share. The company then purchased these shares at a consideration of £5 per share and cancelled them.

During the year the directors invited certain employees of the company to subscribe for 13,000 "B" ordinary shares at a subscription price of £5, to be left unpaid, but callable. 8,000 "B" ordinary shares were issued in March 2004 and 5,000 "B" ordinary shares were issued in April 2004.

CEDAR ROCK CAPITAL LIMITED

15. RESERVES

Group	Capital redemption reserve £	Profit and loss account £
At 1 November 2003	-	216,950
Retained profit for the period	-	380,188
Purchase and cancellation of "B" ordinary shares	<u>23,437</u>	<u>(117,185)</u>
At 31 October 2004	<u>23,437</u>	<u>479,953</u>

Company	Capital redemption reserve £	Profit and loss account £
At 1 November 2003	-	202,155
Retained profit for the period	-	343,173
Purchase and cancellation of "B" ordinary shares	<u>23,437</u>	<u>(117,185)</u>
At 31 October 2004	<u>23,437</u>	<u>428,143</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group Year ended 31 October 2004 £	Company Year ended 31 October 2004 £	Group Period ended 31 October 2003 £	Company Period ended 31 October 2003 £
At 1 November 2003	716,950	702,155	-	-
Profit for the financial period after tax	380,188	343,173	216,950	202,155
Net proceeds of ordinary share capital	-	-	500,000	500,000
Creation of capital redemption reserve	23,437	23,437	-	-
Purchase and cancellation of "B" ordinary shares	<u>(117,185)</u>	<u>(117,185)</u>	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>1,003,390</u>	<u>951,580</u>	<u>716,950</u>	<u>702,155</u>

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group Year ended 31 October 2004 £	Group Period ended 31 October 2003 £
Operating profit	1,196,438	296,826
Depreciation	22,465	13,023
Increase in debtors	(457,026)	(383,095)
Increase in creditors	1,917,867	523,879
Foreign exchange differences	28,965	16,368
Net Cash inflow from operating activities	2,708,709	467,001

18. ANALYSIS OF NET FUNDS

Group

	At 1 November 2003 £	Cash Inflow/ (outflow) £	Non cash Movement £	At 31 October 2004 £
Net cash				
Cash at bank and in hand	997,095	1,955,407	(28,965)	2,923,537
Bank overdraft	(87,847)	86,060	-	(1,787)
Less: deposits treated as liquid resources	(301,521)	(2,098,479)	-	(2,400,000)
	607,727	(57,012)	(28,965)	521,750
Liquid resources				
Deposits included in cash	301,521	2,098,479	-	2,400,000
Net funds	909,248	2,041,467	(28,965)	2,921,750

19. CONTROL

Mr Andrew Brown is the controlling party of the company.

20. FINANCIAL COMMITMENTS – OPERATING LEASES

The payments that the company is committed to make in the next year under operating leases are as follows:

	31 October 2004 £	31 October 2003 £
Land and Buildings: leases expiring: Between 2 and 5 years	64,141	56,922

21. RELATED PARTY TRANSACTIONS

Mr Andrew Brown is a member of Cedar Rock Capital Partners LLC, a Delaware limited liability company incorporated in the United States, from which the company earned investment management fees of \$2,641,144 (2003: \$528,174) during the year. As at 31 October 2004 Mr Andrew Brown's interest in the partnership amounted to \$1,109,548 (2003: \$659,323) (total net asset value of the LLC \$382,569,482 (2003: \$112,052,494)). At 31 October 2004 Cedar Rock Capital Partners LLC owed the company \$318,148 (2003: \$92,905) in investment management fees.

Ms Joy-Isabelle Besse is a director of Cedar Rock Capital Fund Plc from which the company earned investment management fees of £966,095 (2003: £108,534). At 31 October 2004 Cedar Rock Capital Fund Plc owed the company £102,730 (2003: £52,760) in investment management fees.

During the year there have been expenses of £536,969 (2003: £226,121) for professional services rendered to the company by Meteora Partners LLP, of which Ms Joy-Isabelle Besse and Mr David Miller are designated members. At 31 October 2004, £65,366 (2003: £14,763) was due to be paid to Meteora Partners LLP.